

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 897 - HB 1379

March 25, 2017

SUMMARY OF BILL: Increases, from \$10,000 to \$25,000, the threshold above which a local education agency (LEA) must seek competitive bids for purchases if the LEA chooses not to follow the local governing body's purchasing procedure. Increases this threshold to \$100,000 if the LEA has a separate purchasing division. Deletes the requirement that competitive bids be solicited through advertisements in newspapers and adds a requirement that such bids be solicited through advertisements on the local board of education's website.

ESTIMATED FISCAL IMPACT:

Decrease Local Expenditures – Exceeds \$1,300

Assumptions:

- Expanding the purchase limit for which prior approval is required will not necessarily increase purchases or reduce the number of meetings necessary for government authorities to approve purchases.
- Eliminating the requirement to advertise in a newspaper will result in a recurring decrease in local expenditures for LEAs that choose not to follow the local governing body's purchasing procedures.
- Based on responses to the 2012 Local Government Survey conducted by the Fiscal Review Committee staff, participating local government officials reported the average cost for a newspaper notification is \$134.
- The precise decrease in local expenditures is dependent upon multiple unknown factors; however, it is reasonably estimated that at least 10 fewer newspaper advertisements will be required statewide resulting in a decrease in local expenditures estimated to exceed \$1,340 (\$134 x 10 advertisements).
- Any increase in local expenditures to advertise on the website of the local government entity is estimated to be not significant.
- Increasing the monetary threshold for seeking competitive bids for purchases will reduce the number of purchases that are required to be made on a competitive bid basis which could lead to a permissive increase in local expenditures for the procurement of certain goods and services.
- However, eliminating the competitive bid process for certain purchases could also lead to a permissive decrease in local expenditures for administrative costs occurring as a result of processing multiple bids for a single procurement of goods and services.

- Any net permissive impact on local expenditures is dependent on multiple unknown factors; however, it is assumed the net permissive impact would be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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